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North Dakota Office of State Tax Commissioner

Repair Services

Sales and Use Tax Guideline

REPAIR SERVICES

Persons engaged in the business of repairing, altering, or restoring tangible personal property belonging to others render a service. Although repair service is not taxable, tangible personal property transferred in connection with a repair is subject to sales or use tax.

Itemized Repair Charges

A person in the business of repairing, altering, or restoring tangible personal property owned by others must collect sales tax on the itemized parts or materials used in repair, unless the services are performed on items that become an addition or capital improvement to real property. Separately stated charges for repair labor are not subject to sales tax.

Lump-Sum Repair Charges

If labor and parts are not itemized or the parts are attached to real property, the repairer must pay tax on the cost of the repair parts and may not charge tax to the customer.

Billing Method

Persons providing repair service must consistently use the same method of invoicing customers for services provided (separately itemize parts and labor charges or lump-sum all charges).

LOCATION OF THE REPAIR

Title to the repair parts transfers to the owner of the property under repair when the parts are attached, with the exception of repair parts sold in interstate commerce. The applicable state and local sales taxes will apply on separately stated charges for repair parts at the repair location.

Interstate Commerce

An itemized charge for repair parts installed on tangible personal property in North Dakota, which is then shipped to a location outside North Dakota by the repair person, is exempt from North Dakota sales and use taxes. If a lump-sum charge is made by the repair person for repair parts and labor, the repair person is subject to sales or use tax on the cost of the repair parts to the repair person.

OUT OF STATE REPAIR

Property transported outside of North Dakota for repair will not be subject to state sales or use tax if the repair billing reflects a lump-sum charge for parts and labor. If the repair billing reflects an itemized charge for parts and labor, use tax will apply on the parts charge after providing credit for sales or use taxes paid to another state for the itemized part charge.

Where a business transports property to a location outside North Dakota for repair by an employee, use tax will apply on the cost of the repair parts when the property is transported back to North Dakota upon completion of the repair. If the repair parts have been subjected to sales or use tax by another state, use tax will apply after providing credit for the sales or use taxes paid to the other state.

SUBLET OR THIRD-PARTY REPAIR

If a retailer does not repair tangible personal property, but instead has another person perform the repairs, the repair person's gross receipts from the sale of the repair parts to the retailer are not subject to tax provided the retailer gives the person a properly completed *certificate of resale*.

If a completed certificate of resale is not provided and the repair person itemized the charges for parts and labor, the itemized charge for repair parts to the retailer is subject to sales tax.

If a lump-sum charge is made by the repairer for the "sublet repair," the repair person will be responsible for paying sales or use tax on the cost of the repair parts and may not charge sales tax on the sublet repair charge to the retailer.

MANUFACTURER'S OR RETAILER'S WARRANTY REPAIR

When the price of the manufacturer's or retailer's warranty contract is included as part of the sale of the tangible personal property, all parts replaced by the manufacturer or retailer under the warranty contract are not subject to sales or use tax.

EXTENDED WARRANTY, MAINTENANCE OR SERVICE REPAIR

When an extended warranty, maintenance or service contract is sold to a customer with the sale of tangible personal property, no sales or use tax will apply to the separately stated charge for the extended warranty, maintenance or service contract. However, the seller of the contract is responsible for the payment of sales or use tax upon the cost of the parts used to repair the tangible personal property. In those instances where an extended warranty, maintenance or insurance company is billed by the repairer for the repairs completed under the extended warranty, maintenance or service contract, the repairer has the option of billing sales tax on the separately stated charges for the repair parts like other repair billings. If the repairer does not itemize the repair parts from the repair labor, the repairer is responsible for the payment of sales or use tax based upon the cost of the repair parts.

Should a repairer bill a third-party for repair work completed under an extended warranty, maintenance or service (for example, insurance contract), the repairer will be responsible for the collection and payment of sales tax equal to the amount of tax charged to the third-party for itemized parts used in the repair.

CONTRACTORS: CARPENTERS, PLUMBERS, ELECTRICIANS, ETC.

Where tangible personal property is installed into or attached to real property, the tangible personal property becomes realty upon installation. Because the title to property being passed to a customer by the installer is now regarded as real property, the installer is regarded as the final user of the materials and parts installed. The installer, as the final user, is responsible to pay sales or use tax on the cost of the materials or parts.